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January 15, 2002

**PUBLIC DOCUMENT**

Mr. Andrew Stephens  
Trade Policy Staff Committee  
Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20508

Dear Mr. Stephens:

The following comments are submitted on behalf of Thomas Steel Strip Corporation ("Thomas") and Corus Staal B.V. regarding the request by Thomas and members of the U.S. battery industry (Duracell, Eveready and Rayovac) that battery-quality hot band (BQHB) be excluded from the scope of any import restrictions recommended by the TPSC.

We appreciated the opportunity to discuss our BQHB exclusion request with the TPSC on January 10. Following are short supplemental points in response to an issue raised in the TPSC meeting, regarding whether Thomas and the U.S. battery industry had sought to procure BQHB from the domestic producers of hot-rolled steel.

Just as Thomas seeks to maintain a stable, closely integrated domestic supply chain for its non-battery business, it does the same for BQHB. This is very different from the commodity hot band grades which comprise the vast majority of the import volumes sold to the U.S. market. To contemplate a change is costly and involves a very long transition period. Therefore, Thomas does not actively seek to change suppliers.

Moreover, any change would also involve a change in the BQHB supplier for to Thomas' sister company in Germany because of the battery companies' policies of maintaining the same single steel supply on a global basis. Thomas and its sister company deliver also to Duracell and Eveready facilities in Asia as well as Europe and the United States.

Mr. Andrew Stephens  
January 15, 2002  
Page 2

As to the battery manufacturers, Mr. Gerry Williams, Manager of Sourcing at Duracell, stated to the TPSC that the norm in his experience is for suppliers of any input to battery manufacture to approach Duracell and offer to supply the particular input at issue. This is due, in part, to the significant position Duracell holds within the U.S. battery industry, as it sells 45-50 percent of the United States battery market. This practice also reflects the long and expensive qualification process to supply inputs to the battery industry, making purchasers reluctant to develop new suppliers. Thus, as Mr. Williams stated, it is not consistent with business practice in this industry for the domestic steel suppliers to expect to receive an invitation to supply.

Furthermore, Mr. Steve Sonnenberg stated, on behalf of Eveready, that Eveready had sought out domestic suppliers of BQHB several years ago. Eveready stated in its November 13, 2001 exclusion request for BQHB that "[a]lthough Eveready conducted domestic sourcing and testing investigations in 1994, domestic steel showed significantly increased incidence of battery can failure and leakage." Eveready Nov. 13 Exclusion Request, p. 3 (also submitted as attachment to Thomas' Jan. 4 submission to the TPSC). Similarly, Mr. Al Dillis testified on behalf of Eveready before the International Trade Commission that:

Eveready's research shows that no U.S. domestic producer have the combination of capability and interest to produce battery-quality steel.

For example, in 1994, Eveready conducted domestic sourcing and testing investigations. Our testing showed that the use of domestic hot-rolled steel for battery can manufacture significantly increased the incidence of battery can failure and leakage.

Additionally, since Eveready last appeared before this Commission to discuss this product, no domestic producer has approached us to qualify its product has battery-quality hot bands.<sup>1</sup>

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<sup>1</sup> Transcript of ITC Injury Hearing, Sept. 20, 2001, p. 865 (Mr. Dillis).

Mr. Andrew Stephens  
January 15, 2002  
Page 3

In sum, it is not consistent with business practice in the battery strip or battery industries for the domestic steel suppliers to expect to receive an invitation to supply. Moreover, when companies in this supply chain – such as Eveready – have reached out to the domestic industry, the response has been inadequate. Therefore, the TPSC should determine, as urged in Thomas' January 4 submission, that BQHB is properly excluded from the scope of any import restrictions recommended by the TPSC.

Should you have any questions, please contact the undersigned.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Lichtenbaum", with a stylized, cursive script.

Peter Lichtenbaum